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Sub

Saskatchewan Telecommunications



Annual Report

1971



Regina, Saskatchewan,
March 1, 1972.

To His Honour,
The Honourable Stephen Worobetz, M.C., M.D.,
C.R.C.S. (C)
Lieutenant Governor of the
Province of Saskatchewan.

Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1971 including the financial statement therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant

Neil E. Byers

Minister of Telephones and Chairman
Saskatchewan Telecommunications.

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- SASK TEL phones in service increased by 4.2% to 328,126 at the end of 1971.
- Long distance messages originating in Saskatchewan increased by 9.3% to 20,653,000 in the year.
- Northern Radio-Telephone Service, a new long distance facility, was established in December, 1971.
- Twenty-two exchanges were converted to dial operation and one new dial exchange established.
- Fifty-nine exchanges were connected to the Direct Distance Dialing network.
- One million, eight hundred thousand dollars was spent in the "Unserved Area" program to bring telephone service to scattered areas in the province.
- The value of telephone property increased by \$13.2 million to \$242,357,000.
- Operating revenues increased by 6.6%; operating expenses by 5.7%.
- Net income amounted to \$12,723,000.
- \$6,350,000 was appropriated as a dividend for the Province of Saskatchewan.

DIRECTORS*

HON. N. E. BYERS — Chairman

HON. J. R. MESSER — Regina

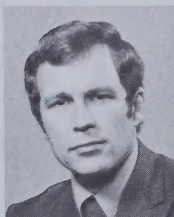
W. E. CLARKE, Esq. — Regina

L. B. NOBLE, Esq. — Michellton

J. J. WEST, Esq. — Foam Lake



Hon. N. E. Byers



Hon. J. R. Messer



W. E. Clarke



L. B. Noble



J. J. West

OFFICERS*

General Manager — G. D. McCORMICK

Assistant General Manager —
Operations — A. G. THOMAS

Comptroller — A. L. M. NELSON

General Personnel and Public Relations
Manager — J. HOUSTON

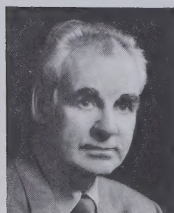
General Counsel and Secretary to the
Board — T. A. HOWE

Chief Engineer — S. F. LEE

General Commercial Manager —
F. A. DEGENSTEIN

General Plant Manager —
H. E. FREBERG

General Traffic Manager —
E. A. McKILLOP



G. D. McCormick



A. G. Thomas



A. L. M. Nelson



J. Houston



T. A. Howe



S. F. Lee



F. A. Degenstein



H. E. Freberg



E. A. McKillop

*as at December 31, 1971

Annual Report

1971

Review of Activities

Again in 1971, SASK TEL set new records and broke new ground in meeting the telecommunication needs of the people and businesses of Saskatchewan. Since usage of telecommunications services is often viewed as a barometer of economic conditions, the increase in the number of telephones and long distance messages may be viewed as an indicator of an upturn in the economy of the province. Over 13,000 telephones were added and 1.7 million more long distance messages originated in the province during the year. In company with these trends revenues of the corporation increased.

Major strides were taken to bring dial service and direct distance dialing to the remaining relatively small proportion of subscribers yet to be included in these two conversion programs.

Two new telephone exchanges were established in the north and a start was made to extend long distance telephone service to the more remote areas of the province with the introduction of Radio-Telephone Service in northern Saskatchewan.

The \$10,000,000 "Unserved Area" program passed its midpoint in the objective of bringing telephone service to some 6,000 homes in the unserved areas of the province.

Although the major activity in computer communications originates elsewhere in Canada, SASK TEL plays its part, with the other members of the Trans-Canada Telephone System, in the development and extension of Canadian computer communications services.

Saskatchewan Telecommunications continued to participate in the studies and discussions

initiated by the federal Department of Communications. These activities are time consuming but are warranted in the attempt to develop a national telecommunications policy for Canada.

The Trans-Canada Telephone System, of which SASK TEL is a member worked closely with Telesat Canada to establish a Canadian domestic satellite system. The satellite is designed to augment the nation's long-haul telecommunications facilities and to provide a more economical means of serving Canada's north.

MAJOR INCREASE IN LOCAL SERVICE

An increase of 4.2% or 13,145 telephones in service was a reversal of the declining growth which became apparent in 1967. The increase, more than 50% greater than that of 1970, required the installation of some 100,600 telephones as 87,500 were disconnected during the year. At the year-end, the total SASK TEL telephones numbered 328,126.

While the addition of two new telephone exchanges did not increase the total number of telephones in service greatly, the establishment of these exchanges demonstrates SASK TEL's concern for the telecommunications needs of northern Saskatchewan. A new dial exchange at Ile-a-la-Crosse opened for service in November, 1971 and provides local service only for the people of that community. At Cumberland House, a magneto (manual) exchange was installed October 20th, for day service, and is connected to the long distance network by radio at Melfort.

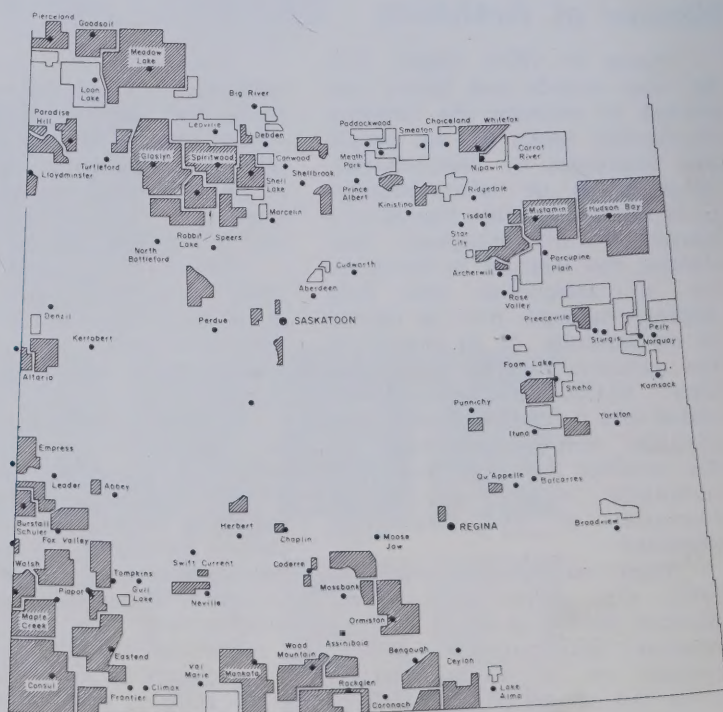
Paystation service was established on ten Indian Reserves during the year, three of which have, in addition, multi-party residential services. At the year-end, fifty reserves had telephone service and nineteen are proposed and awaiting to be served in the 1972-73 period.

SASK TEL through its popular "Unserved Area Program", completed the largest number of projects yet undertaken in any one year to bring telephone service to those parts of rural Saskatchewan which are outside the range of rural telephone companies. Approximately 800 subscribers were added to the telephone network bringing the program total to nearly 3,300. The cost of the 1971 program was in excess of 1.8 million dollars. It is expected that this program, as a major activity, will be completed in 1973, and that it will have brought telephone service to over 6,000 rural subscribers.

As in 1970, the year-end gift-phone sales campaign contributed significantly to the increase in the number of telephones in service. Also, an increase in the number of services accompanied the conversions as manual exchanges were equipped for automatic operation.

Rural telephone companies, for which SASK TEL provides switching service, experienced a decline in the number of telephones in service as the result of a transfer of 410 services to SASK TEL. The year-end total of rural telephones connected to SASK TEL exchanges was 50,723. There are approximately 430 rural company owned phones being switched in non-system exchanges.

SASK TEL's Unserved Area Program is bringing telephone service to more of the pockets of rural population identified as being outside the serving areas of existing rural telephone companies. The shaded areas are those completed to-date.



LONG DISTANCE SERVICE EXTENDED

Long Distance messages originating within Saskatchewan showed a marked increase during 1971 and brought the year's total of messages handled to an all-time high. The volume for the year was 20,653,000, an increase of 1,757,000 over 1970.

Customers dialed almost 11,000,000 long distance calls. This is 53% of the total volume and compares with 45% in 1970. The increase was made possible by the addition in 1971 of 59 exchanges (of which 38 already had local dial service) to the Direct Distance Dialing network and general acceptance by the public of this service.

In December, SASK TEL introduced a new offering, aimed at extending its services to all parts of Saskatchewan when it established its first Northern Radio-Telephone Service offices at

La Loche and Stony Rapids. This program will bring long distance service progressively to some thirty communities north of the fifty-fourth parallel in the next two years. In the past, messages have been carried on the Department of Natural Resources radio system which did not have direct access to the long distance network. SASK TEL will also extend access to this new network to commercial and other agencies who provide and maintain their own fixed, mobile or aircraft radios which have been properly licensed for the purpose. Calls from agency offices and customer-owned radios are handled at a base station in Prince Albert where the operator connects them to the regular telephone network.

FACILITIES PROGRAM EXTENSIVE

The major portion of the \$22.6 million of construction expenditure was used to meet growth demands and to modernize the system. Approximately \$21,420,000 was spent for that purpose.

A new office building at North Battleford, was completed and is now in use. This allows for the extension of switching equipment now being installed in the old building in that city.

Well over 500 miles of cable were buried and nearly 300 route miles of radio facilities, both for long distance purposes, were put in service during the year to obtain the benefits of higher reliability and lower maintenance. Of the 861,000 miles of long distance circuits SASL TEL has in service, almost 832,000 miles are now derived from radio and

SASK TEL's Northern Radio-Telephone Service Operator at Prince Albert handles calls to and from the far north and completes them as normal long distance calls to other parts of the world. Such a call is shown (right) being placed from the Northern Radio-Telephone Agency office at La Loche.



buried cable facilities. Thus over 97% of the toll circuits are now carried on radio or by buried cable, the balance being on open wire.

In addition to the 500 plus miles of toll cable, more than one thousand miles of cable were buried for local services. Of the latter, over 620 miles were buried to provide service in "Unserved Areas" and in excess of 390 miles for other exchange service. SASK TEL buried 60% more miles of cable in 1971 than in the previous year.

With the installation of automatic switching equipment in twenty-three exchanges, dial service was made available to 6,000 telephone subscribers. Of these, 4,050 were SASK TEL customers and the balance were rural company subscribers whose phones

are being switched by SASK TEL in these exchanges. At the year-end 97.7% of SASK TEL phones and 89.6% rural company phones were dial operated (increased during the year by 1.1% and 3.8% respectively). Almost 1,000 Saskatchewan communities of all sizes now have automatic telephone service. There remain 78 SASK TEL and 2 rural company operated manual exchanges awaiting conversion. These are scheduled to be converted by the end of 1974.

Twenty-one of the twenty-three exchanges receiving dial service for the first time were equipped for the origination of direct dialed calls. In addition to these, thirty-eight other exchanges, which had had dial service for sometime, were

re-routed to other centres having the facility to allow customers to direct dial their own long distance calls. These included Assiniboia, Canora, Lanigan, Moosomin, Rosetown and their thirty-three associated exchanges.

In 1971 there were, on the average, 41 telephones per hundred population in Saskatchewan as compared with the 1970 figure of 39. At year-end 96.6% of all telephones in the province were dial operated and 89.9% had access to the direct distance dialing network.

Work has already begun to extend direct distance dialing service in 1972 to the toll centres at Humboldt, Kindersley and Wadena and the dial exchanges in their respective areas.

Buried telephone cable is rapidly becoming one of the major facilities to carry long distance and rural circuits about the province. A cable crew can plough in an average of 4½ miles of cable per day.



COMPUTER COMMUNICATIONS

With the increasing inter-relationship between computers and communications, the telecommunications industry will be assuming an increasingly important role in the field of computer communications. While the existing telephone network is used to transmit data, in order to meet the requirements for data capacity more adequately, SASK TEL, in company with the other member companies of the Trans-Canada Telephone System, is participating in the building of a digital network. The first phase of the network links Toronto, Ottawa and Calgary, using in part SASK TEL facilities. Its capacity will be expanded by means of a high capacity multi-tube coaxial cable linking the major markets in central Canada, and extending coast-to-coast in 1974-76 by means of digital transmission systems on existing microwave structures.

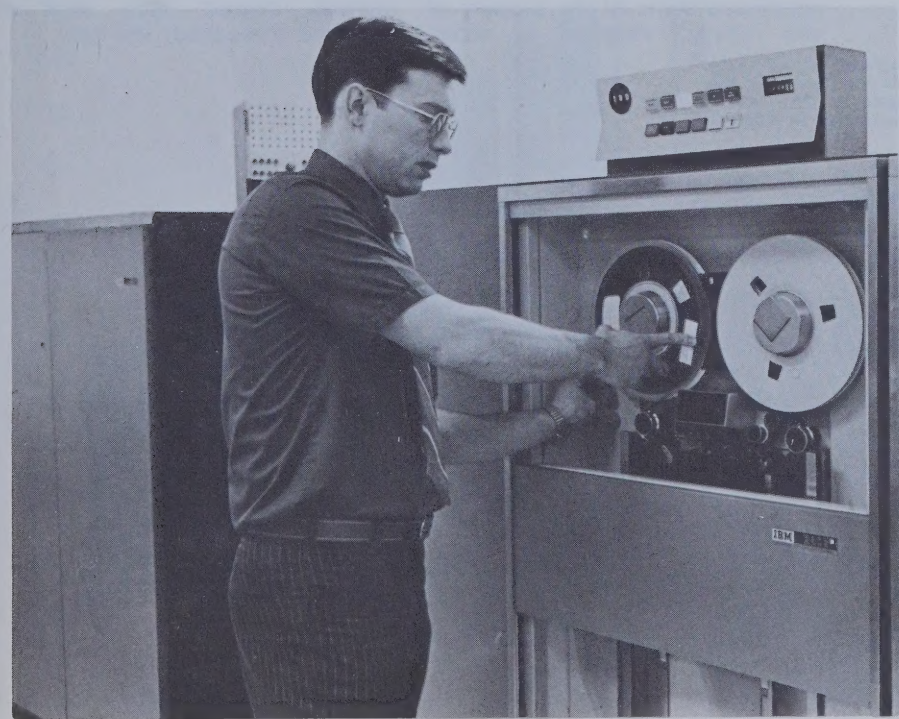
Digital systems, geared specifically to computer communications, are the foundations on which many of the sophisticated data systems of the future will be built. They will become a major part of Canadian telephone companies' offerings to fulfill expressed national goals of keeping the Canadian computer industry distinctly Canadian and encouraging the flow of east-west computer communications.

SPECIAL SERVICES FOR BUSINESS

Two other 1971 activities demonstrate further the ever broadening capabilities of SASK TEL's telecommunication network and the varied demands for its services. One was an experimental program involving the University Hospital in Saskatoon linked with the Canora Union Hospital.

The diagnostic program permitted an electrocardiographer in the Canora Hospital to send, by means of a special terminal, an electrocardiogram from the patient's bedside over ordinary telephone lines for immediate interpretation by specialists in the University Hospital. The results were then communicated by telephone to the treating physician in Canora.

The other activity referred to above was meeting the telecommunications needs of the 1971 Canada Winter Games using a



Data in bulk can be forwarded quickly and accurately from such terminals as the magnetic tape drive on a customer's computer over the telephone companies' switching networks to the host computer of his choice. The networks are capable of accepting different speeds and/or codes and translating them to be compatible with the host computer.

wide range of SASK TEL services. Involved in the administration, participant services and reporting the games were a private branch exchange, complete with 105 local telephones and 30 central office trunks; a closed circuit television system with 9 monitor locations; services to 14 widely separated locations; a six machine teletype network; fifty paystations; CBC-TV and radio links for network broadcasts; a radio system for services to the "mountain" including teletype data circuits from the "mountain" to a computer in the University in Saskatoon; a ten-horn paging system; plus miscellaneous other services. The Canada Winter Games confirmed SASK TEL's ability to provide all three types of telecommunication service — Video, Voice and Data.

PERSONNEL

The corporation's employees continued to strive for improvement in job performance to meet the demands for new and improved services. To assist them, SASK TEL maintains substantial and continuing training programs.

In 1971 over 1,800 employees were involved in 111 "in-hours" courses of instruction to improve their technical and management skills. Over one hundred completed "off-hours" courses of study in various institutions of higher learning. SASK TEL shares in the cost of these approved courses.

At the year-end SASK TEL was staffed by 1,228 women and 1,221 men, whose contribution is vital to the success of the corporation.

The sense of responsibility and interest in their communities is demonstrated by over 350 employees who are active in organizations contributing to community well-being. Employee-managed benevolent funds, established in each of SASK TEL's operating districts, donate significant sums to the support of the United Appeals or Com-

munity Chests and other charities in their communities.

During the year, the Saskatchewan Chapter joined in the celebration of the sixtieth anniversary of the Telephone Pioneers of America. The purpose of this organization is to provide a means of friendly association for long-service (over twenty-one years) employees in the telephone industry, both active and retired; to foster among them a continuing fellowship and spirit of mutual helpfulness; to exemplify and perpetuate those principles which have come to be regarded as the ideals and traditions of the industry; and to participate in activities that are of service to the community. The Saskatchewan Chapter has on-going programs, particularly to assist the physically disadvantaged, to meet the association's goals.

Negotiations to effect a revised agreement with the Communications Workers of America were commenced in the latter part of the year. The previous two-year agreement expired September 30th, 1971. Meetings to discuss other matters of mutual interest were held as required throughout the year.

The conversion of the Brownlee manual exchange to dial service in February 1971 marked the end of a 45-year career for Miss S. Thomas as SASK TEL's agent chief operator there. She is typical of the many women who have given years of dedicated service to their communities.



FINANCIAL

Operating revenues amounted to \$53.9 million in 1971, an increase of \$3.3 million or 6.6% over the 1970 figure. Local service revenues at \$18.8 million increased nearly \$.8 million due to the increased number of telephones in service. Toll service revenues, representing 62% of total revenues amounted to \$33.5 million, an increase of \$2.5 million over the previous year's figure. This increase is a reflection of the 9.3% increase in toll message volume. Approximately one half of the toll revenue increase resulted from toll calls within the province.

Operating expenses for the year totalled \$35.8 million, an increase of \$1.9 million or 5.7% over the 1970 amount. Depreciation charges, which increased by \$.9 million due mainly to the increase in plant in service, and increased salary and wage costs accounted for the major portion of the increase in expenses. Grants in lieu of taxes on corporation-owned property amounted to \$612,000, an increase of \$30,000 over the 1970 total.

Other income at \$215,000 shows a decrease of nearly \$400,000 from the 1970 figure, due to a reduction of the amount of temporarily surplus funds invested in income bearing securities.

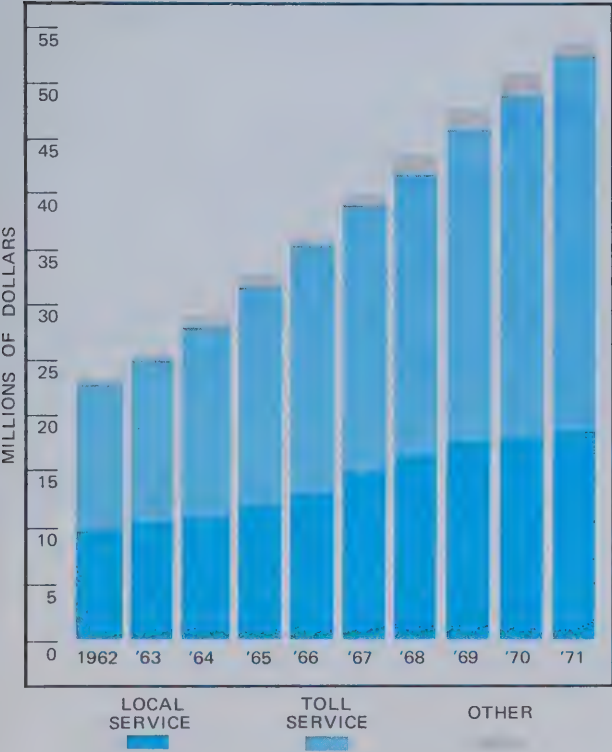
Interest and other deductions amounted to a net of \$5.6 million, virtually unchanged from the 1970 level.

Net income for the year amounted to \$12.7 million, an increase of \$1 million from the 1970 figure. One-half of the net income, i.e. \$6,350,000 was appropriated as a dividend to the Province of Saskatchewan, the remainder being retained by the corporation for use in its capital program.

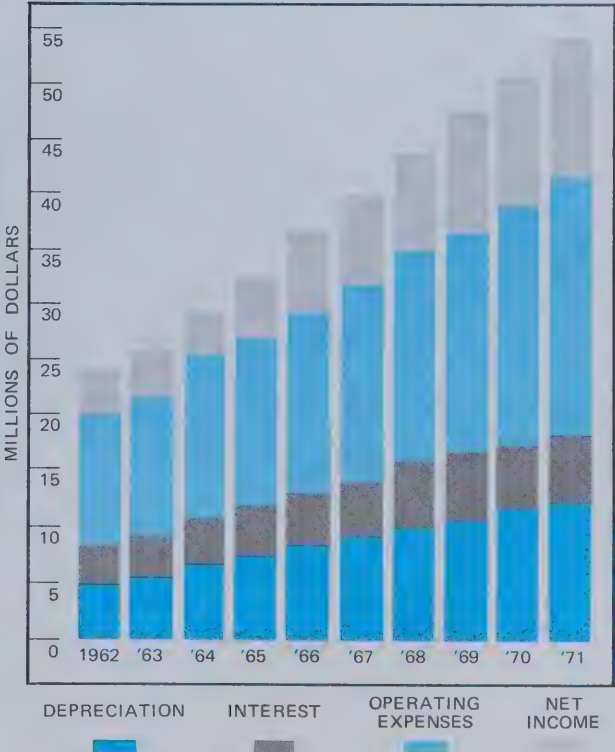
Construction expenditures during the year amounted to \$22.6 million, marginally up from the 1970 level. Taking into account plant retired during the year, the total investment in plant increase by \$13.2 million and amounted to \$242,357,000 at year-end.

Additional capital advances were received from the Provincial Treasurer during 1971 in the total amount of \$9,461,000. These were derived from Canada Pension Plan funds borrowed by the province at an average annual cost of 7.1% to the corporation.

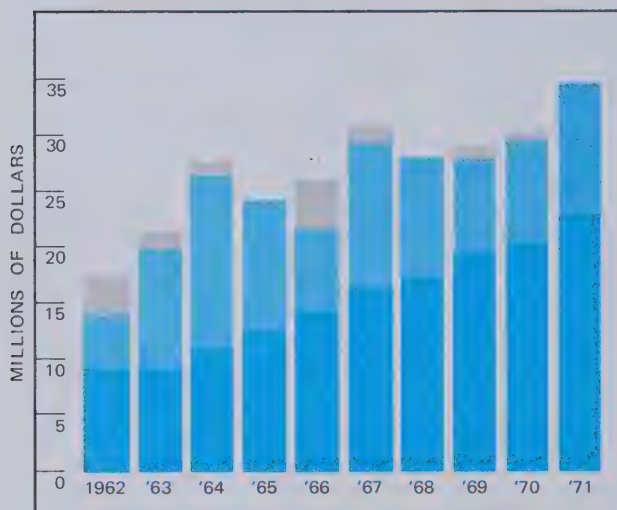
SOURCES OF THE INCOME DOLLAR



DISPOSITION OF THE INCOME DOLLAR

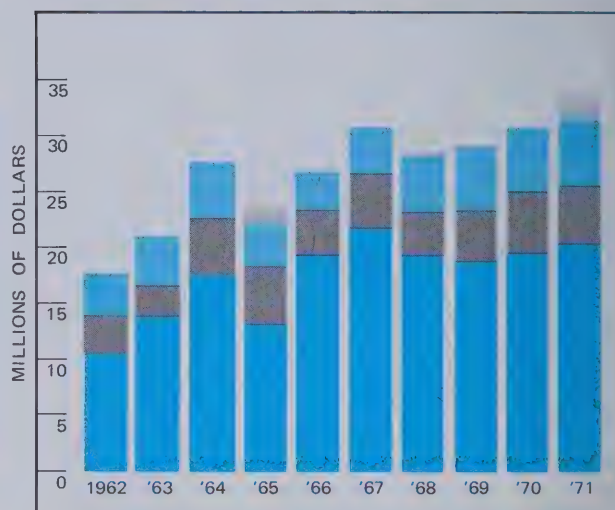


SOURCES OF THE CAPITAL DOLLAR



INTERNAL
EXTERNAL
WORKING CAPITAL DECREASE

DISPOSITION OF THE CAPITAL DOLLAR



NET CONSTRUCTION
DEBT REDEMPTION
DIVIDEND
WORKING CAPITAL INCREASE

AUDITOR'S REPORT

I have examined the balance sheet of Saskatchewan Telecommunications as at December 31, 1971 and the statements of income and source and disposition of funds for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements, read in conjunction with notes numbered 1 to 9 thereto, present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1971 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
February 17, 1972.

W. G. Lutz, C.A.,
A/Provincial Auditor

Saskatchewan Telecommunications

STATEMENT OF INCOME

For the Year Ended December 31, 1971 (1970)

	1971	1970
OPERATING REVENUES		
Local Service	\$ 18,766,981	\$ 17,982,336
Toll Service	33,483,624	30,978,883
Other Revenues (Note 1)	1,861,545	1,838,903
Less: Uncollectible Operating Revenues	227,270	254,001
TOTAL OPERATING REVENUES	<u>\$ 53,884,880 ✓</u>	<u>\$ 50,546,121 ✓</u>
OPERATING EXPENSES		
Maintenance	\$ 8,567,757	\$ 7,971,125
Depreciation	12,749,026	11,850,212
Traffic	5,218,239	5,213,614
Commercial and Marketing	3,243,496	2,993,500
General Administration	2,954,759	2,646,862
Grants in Lieu of Taxes	611,804	582,340
Other Expenses (Note 2)	2,407,882	2,563,020
TOTAL OPERATING EXPENSES (Note 3)	<u>\$ 35,752,963</u>	<u>\$ 33,820,673</u>
NET OPERATING REVENUE	<u>\$ 18,131,917</u>	<u>\$ 16,725,448</u>
OTHER INCOME	<u>214,830</u>	<u>611,868</u>
	<u>\$ 18,346,747</u>	<u>\$ 17,337,316</u>
INTEREST AND OTHER DEDUCTIONS (Note 4)	<u>5,623,453</u>	<u>5,619,200</u>
NET INCOME FOR THE YEAR	<u>\$ 12,723,294 ✓</u>	<u>\$ 11,718,116 ✓</u>
DIVIDEND — Government of Saskatchewan ...	<u>6,350,000</u>	<u>5,850,000</u>
NET INCOME AFTER DIVIDEND		
— transferred to retained earnings	<u>\$ 6,373,294 ✓</u>	<u>\$ 5,868,116 ✓</u>

The accompanying notes are an integral part of the financial statements.

Saskatchewan Telecommunications

BALANCE SHEET

as at December 31, 1971 (1970)

ASSETS

	1971	1970
TELEPHONE PROPERTY		
Land and Buildings (at cost)	\$ 26,932,535	\$ 25,682,736
Telephone Plant and Equipment (at cost)	<u>212,413,566</u>	<u>201,869,086</u>
	\$ 239,346,101	\$ 227,551,822
Less: Accumulated Depreciation	<u>77,758,641</u>	<u>71,683,633</u>
	\$ 161,587,460	\$ 155,868,189
Construction in Progress	<u>3,010,703</u>	<u>1,598,349</u>
	\$ 164,598,163	\$ 157,466,538
 INVESTMENT — Telesat Canada (Note 5)	 \$ 832,500	 \$ 333,000
 CURRENT ASSETS		
Cash and Temporary Cash Investments	\$ 257,280	\$ 139,505
Accounts Receivable (less allowance for doubtful accounts)	<u>6,671,196</u>	<u>6,407,014</u>
Materials and Supplies (at cost)	<u>3,931,955</u>	<u>3,591,504</u>
Prepayments	<u>377,177</u>	<u>533,665</u>
	\$ 11,237,608	\$ 10,671,688
 DEFERRED CHARGES		
Unamortized Discount on Advances	\$ 982,183	\$ 1,103,961
	<u>\$ 177,650,454</u>	<u>\$ 169,575,187</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES

	1971	1970
LONG TERM LIABILITIES AND RETAINED EARNINGS		
Advances from the Government of Saskatchewan (Note 9)	\$ 139,143,595	\$ 132,101,625
Less: Equity in Sinking Funds (Note 9)	36,775,605	31,536,807
	<u>\$ 102,367,990</u>	<u>\$ 100,564,818</u>
Less: Sinking Fund Payments and Repayment of Advances, due within one year (Note 6)	5,427,355	5,445,019
	<u>\$ 96,940,635</u>	<u>\$ 95,119,799</u>
Retained Earnings	49,887,469	43,514,175
	<u>\$ 146,828,104</u>	<u>\$ 138,633,974</u>
BANK NOTES PAYABLE (Note 7)	<u>\$ 11,800,000</u>	<u>\$ 10,800,000</u>
CURRENT LIABILITIES		
Interest Accrued on Advances	\$ 2,138,549	\$ 1,974,878
Accounts Payable	2,989,006	4,653,128
Dividend — Government of Saskatchewan . . .	6,350,000	5,850,000
Service Billed in Advance	723,464	644,584
Sinking Fund Payments and Repayment of Advances, due within one year	5,427,355	5,445,019
	<u>\$ 17,628,374</u>	<u>\$ 18,567,609</u>
DEFERRED CREDITS		
Unamortized Gain on Retirement of Advances before Maturity (Note 8)	\$ 1,393,976	\$ 1,573,604
	<u>\$ 177,650,454</u>	<u>\$ 169,575,187</u>

Saskatchewan Telecommunications

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

For the Year Ended December 31, 1971 (1970)

SOURCE OF FUNDS	1971	1970
Operations		
Net Income for the Year	\$ 12,723,294	\$ 11,718,116
Add: Depreciation and Other		
Non-Cash Items (Net)	10,480,372	8,857,267
	<u>\$ 23,203,666</u>	<u>\$ 20,575,383</u>
Advances from the Government of		
Saskatchewan	9,461,000	9,806,000
Net Change in Bank Notes Payable	1,000,000	(1,000,000)
	<u>\$ 33,664,666</u>	<u>\$ 29,381,383</u>
DISPOSITION OF FUNDS		
Construction Expenditures		
Gross Construction Expenditures	\$ 22,659,544	\$ 22,418,014
Less: Net Salvage Value of Plant		
Retired, Capital Contributions		
and Non-Cash Charges to		
Construction	2,723,688	3,684,089
	<u>\$ 19,935,856</u>	<u>\$ 18,733,925</u>
Investment — Telesat Canada	499,500	333,000
Sinking Fund Payments and Advance		
Repayments	5,374,155	5,424,645
Dividend — Government of Saskatchewan ...	6,350,000	5,850,000
Increase (Decrease) in Working Capital	1,505,155	(960,187)
	<u>\$ 33,664,666</u>	<u>\$ 29,381,383</u>

Saskatchewan Telecommunications

NOTES TO FINANCIAL STATEMENTS

NOTE 1— OTHER REVENUES

Other Revenues comprise the following:

	1971	1970
Directory Advertising	\$ 1,035,124	\$ 1,023,767
Rural Company Connecting Fees	452,966	460,548
Rent and Other	373,455	354,588
	<u>\$ 1,861,545</u>	<u>\$ 1,838,903</u>

NOTE 2— OTHER EXPENSES

Other Expenses comprise the following:

	1971	1970
Superannuation and Other Employee Benefits	\$ 1,535,577	\$ 1,456,368
Operating Rents	204,376	72,125
Insurance	42,752	41,059
Other	625,177	993,468
	<u>\$ 2,407,882</u>	<u>\$ 2,563,020</u>

NOTE 3— TOTAL OPERATING EXPENSES

Expenditures for the Administration of the Department of Telephones in the amount of \$226,917 in 1971 (\$211,032 in 1970) and Other Assistance to Rural Telephone Companies in the amount of \$27,972 in 1971 (\$47,124 in 1970) are not included as they are reimbursable by grants from the Consolidated Fund of the Province.

NOTE 4— INTEREST AND OTHER DEDUCTIONS

Interest and Other Deductions comprise the following:

	1971	1970
Interest on Advances	\$ 7,555,458	\$ 7,659,605
Amortization of Discount	121,778	123,107
Gain on Debt Retirement	(283,961)	(14,983)
Bank Notes and Other Interest	391,854	868,714
	<u>\$ 7,785,129</u>	<u>\$ 8,636,443</u>
Less: Sinking Fund Earnings	2,161,676	3,017,243
	<u>\$ 5,623,453</u>	<u>\$ 5,619,200</u>

NOTE 5— INVESTMENT — TELESAT CANADA

As a member of the Trans-Canada Telephone System, SASK TEL is committed to subscribe and pay for 99,900 common shares, no par value, of Telesat Canada at an issue price of \$10 each. At the end of 1971, 83,250 shares had been acquired; the balance of 16,650 shares will be acquired in 1972.

NOTE 6— SINKING FUND PAYMENTS AND REPAYMENT OF ADVANCES, DUE WITHIN ONE YEAR

	1971	1970
Sinking Fund Payments	\$ 4,775,047	\$ 4,581,217
Repayment of Advances — Net of Sinking Fund Equity	652,308	863,802
	<u>\$ 5,427,355</u>	<u>\$ 5,445,019</u>

The advances from the Government of Saskatchewan include a requirement for the corporation to pay annually into a sinking fund administered by the province an amount equal to 3% of the advances made.

NOTE 7— BANK NOTES PAYABLE

Bank notes payable represent intermediate capital financing under a \$15 million bank line of credit. The notes bear interest at the prime bank rate plus ¼ of 1% on amounts owing up to \$10 million and at the prime rate on amounts borrowed in excess of that level.

NOTE 8— UNAMORTIZED GAIN ON RETIREMENT OF ADVANCES BEFORE MATURITY

Under a modified sinking fund policy, advances were retired prior to maturity through cancellation of Province of Saskatchewan bonds held in the Sinking Funds. The resulting gain is being amortized over the remaining life of the advances, and an amount of \$179,628 was amortized and credited to earnings as gain on debt retirement in 1971 (\$14,983 in 1970).

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9— ADVANCES FROM THE GOVERNMENT OF SASKATCHEWAN

Percent	Due Date		1971		1970	
			Advance	Sinking Fund Equity	Advance	Sinking Fund Equity
3%	Nov. 1, 1971	(1)	\$ —	\$ —	\$ 2,300,000	\$ 1,447,143
3%	April 15, 1972		1,681,950	1,040,873	1,681,950	888,061
4	April 1, 1973	(1)	2,266,334	1,374,131	2,266,334	1,140,986
3%	June 1, 1974	(1)	2,953,743	1,914,340	2,953,743	1,668,766
3½	Jan. 3, 1975		2,812,000	1,857,295	2,812,000	1,630,690
3%	May 15, 1975		1,937,250	1,187,044	1,937,250	1,035,561
3½	Oct. 1, 1975		558,850	314,405	558,850	266,133
3%	Jan. 2, 1976	(1)	4,227,500	2,276,436	4,227,500	1,944,455
4½	Nov. 1, 1976		1,245,875	599,642	1,245,875	491,429
4%	April 1, 1977		4,402,000	1,757,042	4,402,000	1,429,496
2%	July 1, 1971-77	(2)	71,972	—	82,916	—
5½	Oct. 15, 1977		2,920,178	1,204,033	2,920,178	997,814
5½	June 1, 1978		5,000,000	1,549,521	5,000,000	1,296,850
5	Sept. 30, 1979		3,000,000	1,363,635	3,000,000	1,187,711
6	Oct. 1, 1979		7,500,000	3,827,018	7,500,000	3,386,185
5½	Oct. 16, 1981		5,444,687	1,322,450	5,444,687	1,011,232
5½	Nov. 15, 1982		3,829,333	607,455	3,829,333	426,181
5	Sept. 1, 1983		10,800,000	5,960,452	10,800,000	5,339,042
4%	Jan. 2, 1984	(1)	3,701,600	1,306,213	3,701,600	1,082,159
5½	Jan. 15, 1984		6,982,000	1,202,366	6,982,000	887,547
5½	July 15, 1985		4,169,250	506,137	4,169,250	329,599
5½	Dec. 1, 1985		7,762,500	1,172,474	7,762,500	840,388
5.605	Sept. 1, 1986		2,022,000		2,022,000	
5.725	Oct. 3, 1986		1,881,000		1,881,000	
5.635	Nov. 1, 1986		1,924,000	1,625,394	1,924,000	1,257,410
5.635	Dec. 1, 1986		1,574,000		1,574,000	
5.735	Jan. 4, 1987		1,910,000		1,910,000	
6	March 1, 1987		4,606,000	370,201	4,606,000	197,402
5.605	June 1, 1987		772,000	104,351	772,000	75,511
6.565	Sept. 3, 1988		1,223,000		1,223,000	
6.525	Oct. 1, 1988		777,000	487,074	777,000	313,803
7.295	Feb. 3, 1989		1,500,000		1,500,000	
7.235	March 4, 1989		1,500,000		1,500,000	
7.595	Sept. 2, 1989		3,701,000	442,910	3,701,000	213,000
7.725	Oct. 1, 1989		3,399,000		3,399,000	
4 7/8	Oct. 1, 1990	(1)	8,680,000	1,107,434	8,680,000	752,253
8.125	Sept. 1, 1990		3,677,000		3,677,000	
8.105	Oct. 1, 1990		3,337,000	295,279	3,337,000	
8.035	Nov. 2, 1990		2,792,000		2,792,000	
6.955	May 3, 1991		5,306,000		—	
7.205	June 1, 1991		981,000		—	
7.385	July 2, 1991		3,174,000		—	
			<u>\$ 138,003,022</u>	<u>\$ 36,775,605</u>	<u>\$ 130,852,966</u>	<u>\$ 31,536,807</u>
Provision for Exchange on Advances Repayable in United States Dollars			(3)	1,140,573	—	1,248,659
				<u>\$ 139,143,595</u>	<u>\$ 36,775,605</u>	<u>\$ 132,101,625</u>
						<u>\$ 31,536,807</u>

(1) Repayable in United States Dollars.

(2) Serially Maturing 1971 through 1977.

(3) Advances repayable in United States dollars are recorded on the basis that a U.S. dollar equals a Canadian dollar. During 1971 U.S. premium of \$3,753 paid on 1971 U.S. advance maturities was charged to this account and the balance of \$104,333 provided in respect of U.S. pay advances retired by December 31, 1971, was credited to earnings as gain on debt retirement.

AUTOMATIC SERVICE AND DIRECT DISTANCE DIALING

EXCHANGES CONVERTED TO DIAL OPERATION — 1971

*Borden	*Hawarden	*Lestock	*Shell Lake
*Bjorkdale	*Holdfast	*Liberty	*Simpson
*Carievale	**Ile-a-la-Crosse	*Loreburn	Smiley
*Doddsland	*Imperial	*Marquis	*Spiritwood
*Eyebrow	*Lake Alma	*Meath Park	*Strongfield
*Gainsborough	*Leoville	*Radisson	

*Exchanges in which Direct Distance Dialing calls can originate.

**Ile-a-la-Crosse equipped for local service only.

EXCHANGES SCHEDULED FOR DIAL SERVICE — 1972

Admiral	Harris	Paddockwood	Tramping Lake
Briercrest	Hazlet	Pangman	Vibank
Cadillac	Landis	Pelly	Vonda
Choiceland	Lintlaw	Piapot	Warman
Christopher Lake	Margo	Prudhomme	Welwyn
Coderre	Meyronne	Sedley	White Fox
Duck Lake	Milden	Smeaton	
Glen Ewen	Norquay	Spy Hill	
Green Lake	Odessa	Tantallon	

Subscribers will be able to place Direct Dialed long distance calls in all above exchanges.

EXCHANGES (PREVIOUSLY DIAL) ADDED TO DDD NETWORK — 1971

Assiniboia	Kamsack	Macklin	Rosetown
Bateman	Kennedy	Mankota	Salvador
Bengough	Kerrobert	Maryfield	Sturgis
Canora	Kincaid	Moosomin	Wapella
Coronach	Kipling	Ormiston	Wawota
Denzil	Kyle	Plato	Willow Bunch
Elrose	LaFleche	Plenty	Windthorst
Gravelbourg	Lanigan	Preeceville	Wood Mountain
Herschel	Limerick	Rocanville	
Invermay	Luseland	Rockglen	

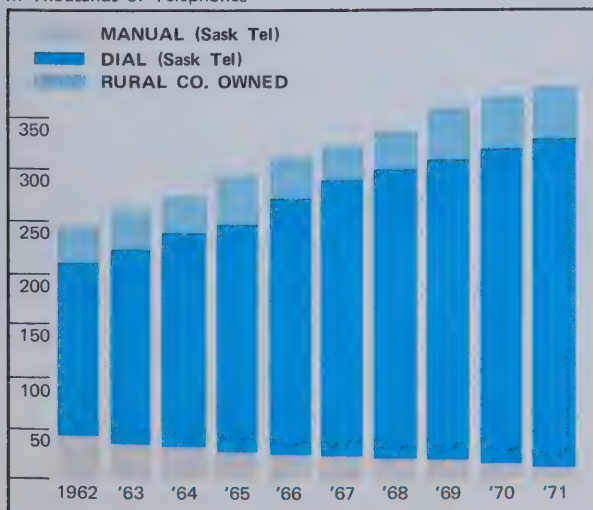
DIAL EXCHANGES SCHEDULED FOR DDD — 1972

Alsask	Elfros	Lake Lenore	Smiley
Archerwill	Eston	Leroy	St. Benedict
Bruno	Humboldt	Middle Lake	Wadena
Coleville	Kelvington	Quill Lake	Watson
Eatonia	Kindersley	Rose Valley	Wynyard

TELEPHONES

SWITCHED BY SASK TEL

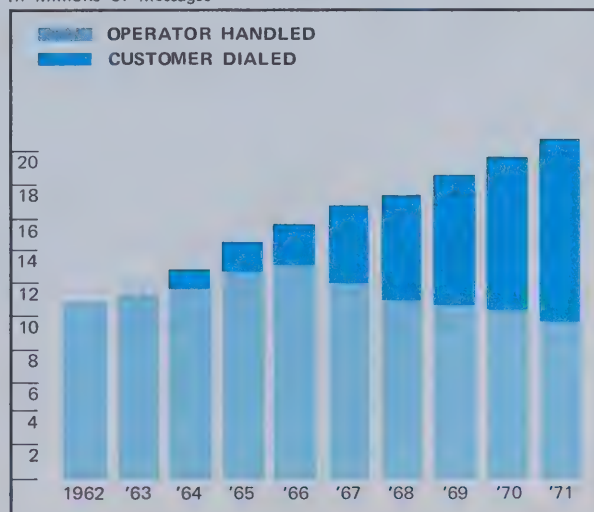
In Thousands of Telephones



LONG DISTANCE MESSAGES

ORIGINATING IN SASKATCHEWAN

In Millions of Messages



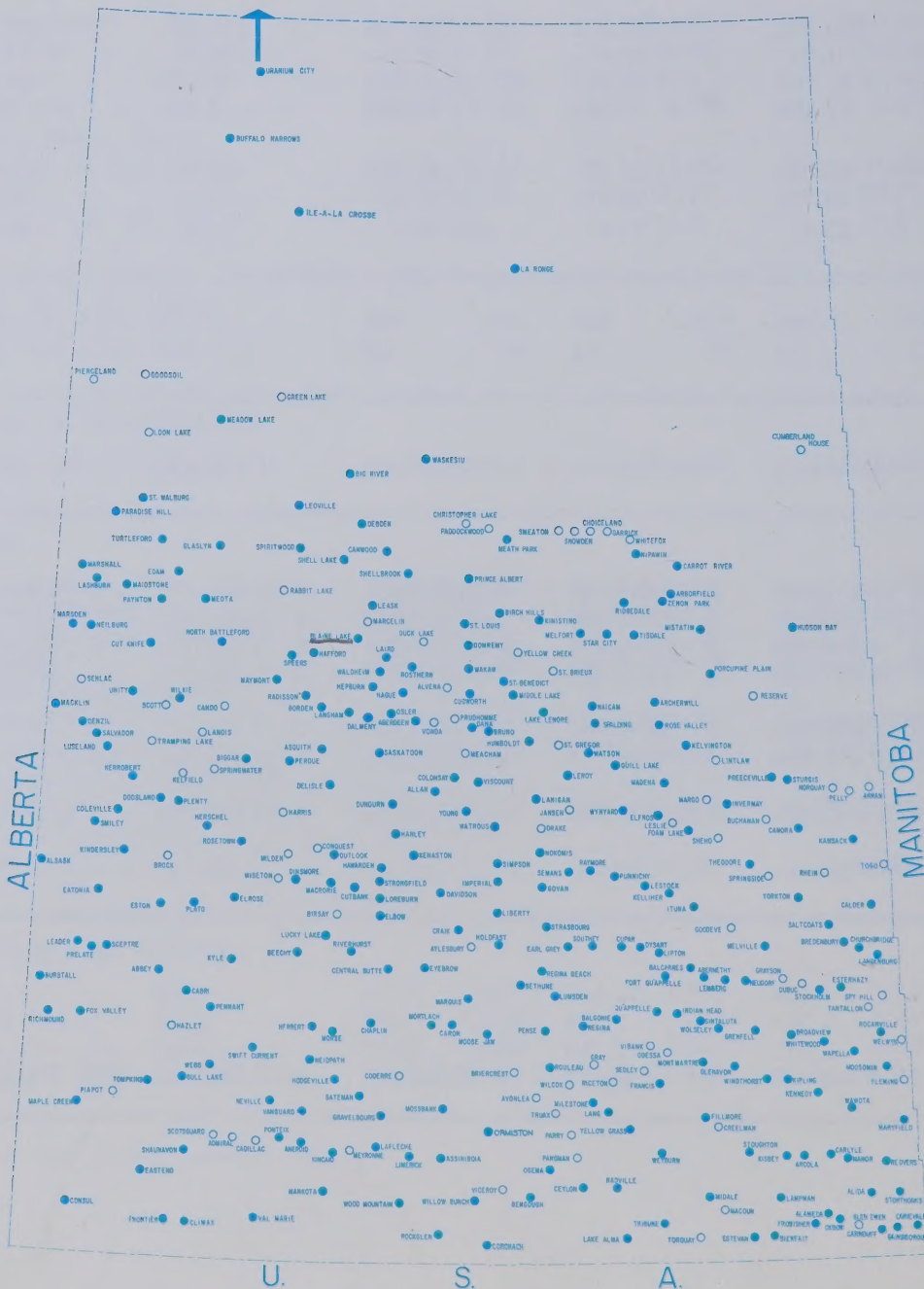
TEN-YEAR RECORD OF PROGRESS

at December 31	1971	1970	1969	1968
TELEPHONES				
Sask Tel Owned	328,126	314,981	306,883	297,009
Percent Dial	97.7%	96.6%	95.5%	94.4%
Connected*	100,608	94,527	96,581	94,817
Net Increase*	13,145	8,098	9,874	14,987
Rural Company Owned (Switched by Sask Tel)	50,723	51,062	51,583	52,357
Percent Dial	89.6%	85.8%	80.6%	76.8%
Telephones Per 100 People	40.9	39.3	37.6	36.4
NUMBER OF EXCHANGES				
	345	359	370	376
NUMBER OF TOLL OFFICES				
	18	21	42	49
LONG DISTANCE MESSAGES				
(Origin — Saskatchewan)*	20,653,000	18,896,000	18,272,000	17,351,000
FINANCE				
Operating Revenues*	\$ 53,884,880	\$ 50,546,121	\$ 47,094,799	\$ 43,265,574
Operating Expenses*	\$ 35,752,963	\$ 33,820,673	\$ 30,891,950	\$ 29,101,025
Interest and Other Deductions* ..	\$ 5,623,453	\$ 5,619,200	\$ 5,847,196	\$ 5,730,079
Net Income*	\$ 12,723,294	\$ 11,718,116	\$ 10,775,878	\$ 8,592,856
Dividend—Government of Saskatchewan*	\$ 6,350,000	\$ 5,850,000	\$ 5,400,000	\$ 4,300,000
Telephone Property	\$242,356,804	\$229,150,171	\$217,707,821	\$202,533,233
Advances from Government of Saskatchewan	\$139,143,595	\$132,101,625	\$147,831,422	\$137,579,814
Debt as a Percent of Year-End Capital	75.2%	76.7%	80.9%	82.4%
EMPLOYEES AND PAYROLL				
Men	1,221	1,190	1,174	1,149
Women	1,228	1,244	1,261	1,298
Total	2,449	2,434	2,435	2,447
Salaries and Wages Earned*	\$ 17,896,384	\$ 16,351,550	\$ 15,348,911	\$ 14,398,026

* For the Year Ended December 31

1967	1966	1965	1964	1963	1962
282,022	265,765	247,876	230,289	215,225	202,861
92.5%	91.6%	90.4%	89.0%	86.4%	82.9%
91,802	87,162	83,251	65,342	65,470	45,657
16,257	17,889	17,587	15,064	12,364	9,741
52,815	53,231	52,787	52,553	52,333	52,302
68.0%	63.3%	58.0%	51.5%	44.0%	34.4%
35.1	33.6	31.9	30.6	29.2	28.0
387	386	382	380	373	369
56	57	74	83	98	104
16,443,000	15,448,000	14,182,000	12,536,000	11,299,000	10,584,000
\$ 40,137,356	\$ 36,112,256	\$ 32,554,096	\$ 28,829,557	\$ 25,974,721	\$ 23,624,151
\$ 26,741,176	\$ 24,659,665	\$ 22,131,105	\$ 20,394,380	\$ 18,546,586	\$ 16,915,417
\$ 5,363,953	\$ 4,846,886	\$ 4,519,804	\$ 4,029,851	\$ 3,486,619	\$ 3,304,649
\$ 8,321,528	\$ 6,831,255	\$ 6,182,595	\$ 4,715,591	\$ 4,158,271	\$ 3,670,972
\$ 4,150,000	\$ 3,800,000	\$ 3,932,595	\$ 4,715,591	\$ 4,158,271	\$ 3,670,972
\$189,163,848	\$172,411,573	\$157,015,013	\$146,683,866	\$131,930,987	\$120,274,800
\$136,877,940	\$129,043,807	\$122,835,266	\$112,828,161	\$ 97,537,290	\$ 87,847,580
83.5%	84.4%	85.5%	85.9%	84.1%	82.6%
1,128	1,104	1,045	1,014	985	917
1,319	1,308	1,265	1,167	1,114	1,037
2,447	2,412	2,310	2,181	2,099	1,954
\$ 13,401,193	\$ 12,408,576	\$ 11,432,628	\$ 10,653,451	\$ 9,858,921	\$ 8,954,647

DIAL ● MANUAL ○



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